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NONFOODS BUSINESS
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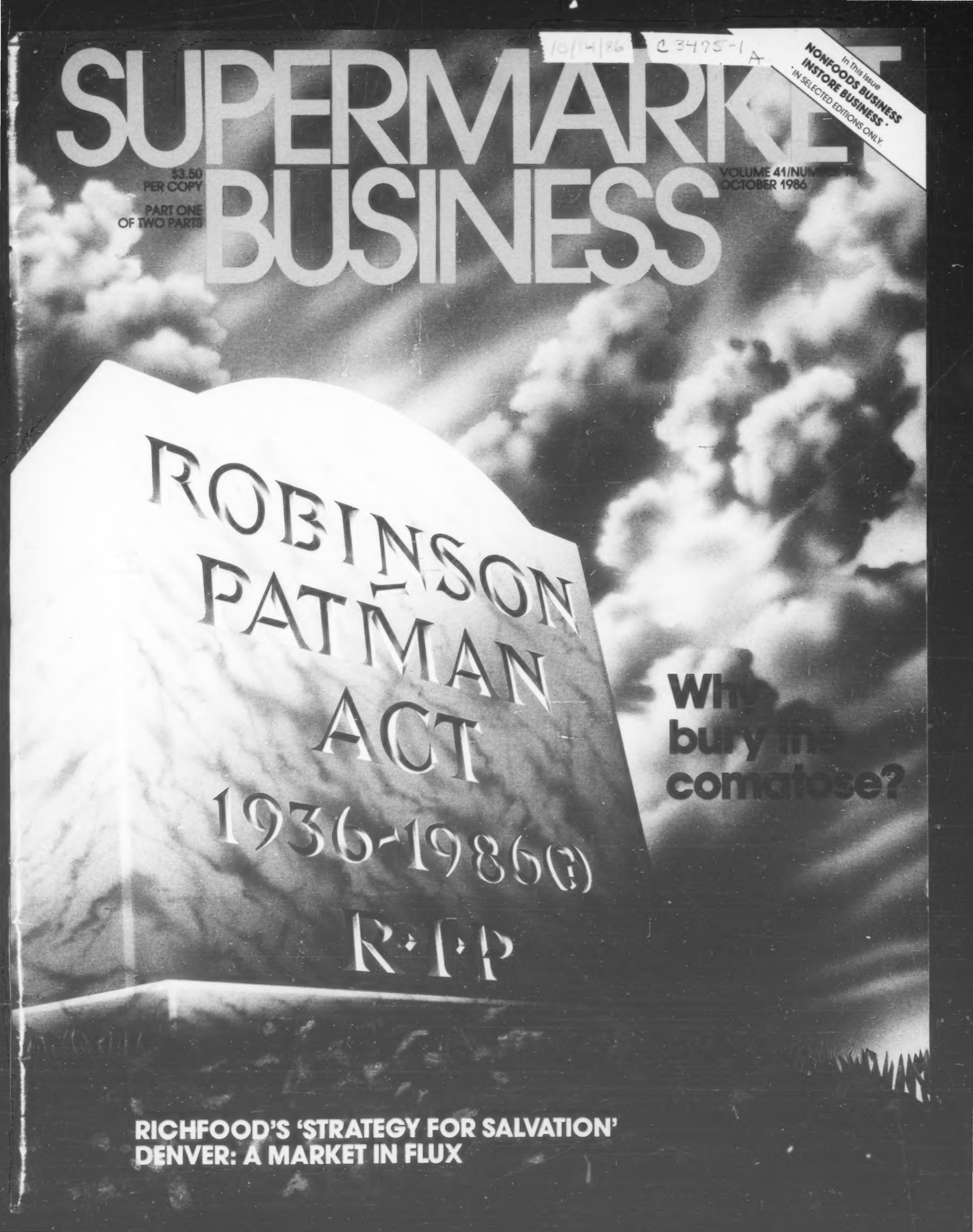

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RICHFOOD'S 'STRATEGY FOR SALVATION'
DENVER: A MARKET IN FLUX

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SUPERMARKET BUSINESS

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RICHFOOD PLOTS A 'STRATEGY FOR SALVATION' 21
BOB HUGHES

Richfood, the Richmond, Va.-based cooperative wholesaler, has reorganized itself to serve its members better in today's competitive marketplace. "Anyone can supply groceries," says the company's Mike Julian. "Today, retailers need help in knowing how to position themselves." Here is a profile of a wholesaler that thinks as a retailer, and is determined to become stronger.

ROBINSON-PATMAN: WHY BURY THE COMATOSE? 29
KEN PARTCH

The Robinson-Patman Act, which for 50 years has helped to protect free competition in the marketplace, is being re-examined by Congress. We polled people in all segments of the grocery business, to get their opinions on the Robinson-Patman Act and whether it should be repealed. The results are surprising.

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The economy in Denver is hurting, and supermarket competition for the consumer dollar, in a city long dominated by King "Soopers" and Safeway, is growing by the day.

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WHY BURY THE COMATOSE?

SB SURVEY FINDS STRONG SUPPORT FOR ROBINSON-PATMAN

While most industry members agree that the Robinson-Patman Act is not being enforced, the great majority would not want to see it repealed. They do not find fault with the act itself.

BY KEN PARTCH, EDITOR-IN-CHIEF

A business as competitive as the grocery business has few articles of faith. That's because all the participants are constantly searching for an advantage—both fair and sometimes not so fair.

The Robinson-Patman Act (R-P), however, was long considered by most segments of the industry—manufacturers, retailers, wholesalers and brokers—to be an article of faith. Many believed that it was the one, single difference that propelled free competition among small and large companies within the industry, compared to retailing and marketing in Europe, for example.

After all, it was said, it kept the big from swallowing up the small, among manufacturers as well as retailers and wholesalers. It provided the level ground, as it were, for all to play on a fair and equal basis.

What, then, has led to recent murmurs, grumbles, doubts, and even outright attack from—of all people—the newly appointed chairman of the Federal Trade Commission (FTC), Daniel Oliver? FTC is charged with enforcement of the Robinson-Patman Act, which is an amendment to, and therefore part of, existing antitrust law.

Why now? The answer, it appears, is part of the Reagan Administration's article of faith that unregulated business is the only form of free and unfettered competition that benefits consumers. Put simply, if competition (fair or unfair) forces weaker or more inefficient forms of retailing, wholesaling or manufacturing out of business in order to bring consumers the lowest prices possible, so be it.

Simplistic? We thought so. But where does this cry for "unfettered" competition come from? The industry that R-P regulates? Not to our knowledge. But just to get an updated view of industry opinion, we decided to poll members at all levels of the industry. The results?

Taken together and separately, the grocery business, by an overwhelming majority, does not want to see R-P repealed.

Robinson-Patman Poll
Should it be repealed?

	NO. POLLED	YES	NO	UN-DECIDED	NO COMMENT
Brokers	13	15%	77%	8%	—
Retailers	11	9%	55%	36%	—
Manufacturers	10	38%	50%	12%	2
Wholesalers	14	8%	92%	—	2
Total	**48**	**16%**	**70%**	**14%**	**4**

Food broker support

Food brokers, of course, are vociferous in their support of R-P. Brokers, in their present guise as independent, local representatives of multiple manufacturer or supplier accounts were, in effect, created by the Act in 1936, which prevents either party to a commercial transaction—seller or buyer—from collecting any commission or brokerage. The name "food broker" has remained, although this person is no longer a broker, and may be as much into nonfoods, health and beauty aids (HBA), or general merchandise as food.

Last month, the National Food Brokers Association (NFBA) president, Charles F. Haywood, sent a letter to the chairman of FTC, and published a news release that reaffirmed the food brokers' support of R-P, stating: "The members of NFBA, from close personal observation, have seen that the R-P Act for many years has done more than perhaps any other law to make competition of the food industry free and fair to all competitors."

Similarly, the National Grocers Association (NGA), representing independent retailers and wholesalers, issued a news release stating: "Obviously, NGA will continue the good fight for fair and consistent enforcement of antitrust laws and will oppose any attempt to undermine the Robinson-Patman Act, which serves the interests of both business and consumers."

In fact, no national trade association in the grocery industry, including the Grocery Manufacturers of America, would support repeal of R-P.

Both responses, those of NGA and NFBA, were prompted by a speech given before the American Bar Association's Anti-Trust Section by FTC Chairman Daniel Oliver. Chairman Oliver, who was appointed some six months ago, suggested to the ABA that "perhaps the time had come for Congress to take a good hard look at the Robinson-Patman Act, the statute that costs American consumers millions of dollars every year, while providing benefits for relatively few firms."

The chairman did not, in fact, call for Congress to repeal the Act. But coming after his statement: "I intend to address and, I hope, secure changes in some of the aspects of antitrust law that reflect mistaken judgments of the past," many industry observers took that to mean asking for repeal.

Retailers divided

Retailers, especially large chains, and manufacturers were most divided on the issue of whether or not they would support repeal of Robinson-Patman. A clear majority of both groups, however, wanted R-P to remain.

In 1936, the establishment of the R-P Act seemed to clear the air and settle the issue of whether quantity of purchase and buying direct entitled a large company (A&P) to a special discount, over and above what other retailers paid for groceries. At the time, many states were passing anti-chain legislation, allegedly to "keep local money at home." R-P settled this question, as well.

The law forbids discriminatory kickbacks and discounts from seller to buyer, and it forbids discriminatory pricing to destroy competition. "It shall be unlawful," the Act states, " . . . to sell or contract to sell, goods in any part of the United States at *prices lower than those exacted* by said person elsewhere in the United States for the purpose of destroying competition, or eliminating a competitor in such part of the United States; or, to sell, or contract to sell goods at *unreasonably low prices* for the purpose of destroying competition or eliminating a competitor."

On the issue of promotional allowances, the law states: "It shall be unlawful for [the seller] to offer payment of anything of value to or for the benefit of a

customer . . . unless such payment or consideration is *available on proportionately equal terms to all other customers competing* in the distribution of such products or commodities."

As clear as that language may sound, its interpretation and enforcement may differ from one Administration to another, and one FTC chairman to another, as night to day. It is universally believed in the grocery industry today that the law is not being enforced.

Opposing viewpoints

It is interesting to note that two opposing points of view, one "for" repeal and one "against," agreed that the law was not being enforced. For example, Lucky Stores (Dublin, Calif.), was in favor of repealing the law, but felt that there would be little impact on the industry because R-P was not being enforced. On the other hand, Michael Wright, chairman of Super Valu (Minneapolis), who is not in favor of repeal, also said: "Enforce it, or repeal it." Wright also pointed to the areas of the world that have no act such as R-P, and the dominance there of big chains.

Wholesalers in general were predominantly against repeal, and in the largest majority of any segment of the industry.

Drayton McLane Jr., of McLane Co. (Temple, Tex.) stated: "I think the R-P Act helps to maintain fairness in business. There are a lot of huge companies among retailers, wholesalers and manufacturers, and then there are a lot of medium and small companies at all levels of the industry. With the concentration that is going on at all levels, repeal of the R-P Act could strengthen the position of the strong, big companies to the detriment of the medium and small companies. I also think you would see consumers hurt in many ways."

One supplier of high-volume, store-door-delivered products, had the most original comment to make: "I think it should go," he said. "The R-P Act generally protects the large companies. Therefore they put excesses into their business. The big companies are controlled by these excesses. Without R-P we would have mavericks, and we don't like to play with mavericks. You can't predict what they will do. And then we would have to get down into the dirt and slug it out. We would have to lower our prices. R-P is not being enforced. But it is being enforced when I, the manufacturer, want to enforce it."

Nobody, it seems, is much excited about what Robinson-Patman is doing to the grocery business, in a negative sense. More of those polled mentioned what the Act is *not* doing. The question then is: What is it that FTC Chairman Oliver seems to think it is doing? ■

FTC DISCUSSES ROBINSON-PATMAN

On Sept. 16, 1986, SUPERMARKET BUSINESS interviewed Jeffrey I. Zuckerman, director of the Bureau of Competition of the Federal Trade Commission (FTC). The bureau is responsible for FTC's antitrust enforcement activities.

SB: Who benefits, today, from the Robinson-Patman Act (R-P)? Big companies, small companies?

Zuckerman: Who benefits? Inefficient firms benefit, primarily. Inefficient firms, large and small. To some degree it depresses price competition. The ones who least benefit are consumers, who pay higher prices than they would otherwise. They don't get the full benefit of efficiencies from firms of various sizes.

SB: But wasn't the original intent of the Act based on the belief that these "benefits" to consumers would be short-lived, and that later, prices would go back up once a few powerful companies could control the marketplace?

Zuckerman: What marketplace? If a group of companies form cartels to control a market, there are existing antitrust laws to deal with that. There's the Sherman Act.

Let's take Anytown, U.S.A. There is a price war. Prices go down and consumers benefit. The price war ends, and prices go back up. Do they go back to where they were?

SB: Who knows?

Zuckerman: Then that becomes your critical question. If they don't go back up to where they were before, consumers are certainly better off than without the price war.

SB: But what have they really saved?

Zuckerman: They save what they have saved.

SB: Yes. But in the meantime, a lot of people may be out of business. It's too late then.

Zuckerman: I want to get something perfectly clear. There are three points to understand:

One, as long as the R-P Act is on the books, we are going to enforce it. If somebody wants to come to us with complaints, we will, to the extent of available resources, investigate complaints of violation of the R-P Act.

Two, the point the chairman [FTC chairman Oliver] was making is that the R-P Act is anticompetitive. It denies consumers the benefits of free and unfettered competition. It restrains competition. Particularly, it restrains price competition.

Three, he did not call for the repeal of the R-P Act. He said that it might be worthwhile for Congress, if they are interested, in dealing with the effects of the R-P Act. If they want to do that, they are welcome to do that. But we are not opening some campaign for repeal of the R-P Act.

It is simply that the American people ought to know what the effect is of some of these statutes that are on the books. I don't want anybody to lose sight of the fact that we at the FTC are going to enforce the law.

SB: There used to be something called the Fred Meyer decision that dealt with promotions and regular prices. What ever became of the Fred Meyer decision?

Zuckerman: We have here [at FTC] the Fred Meyer Guidelines. We have been revising the guidelines so that they reflect the current decisions. I would think that the Commission will be reviewing the guidelines and that we will be able to get them out sometime in the near future.

SB: In the early '80s, while there was considerable inflation, manufacturers were running deal upon deal under the so-called regular price. Buyers could buy enough product to last until the next deal, so that there was no regular price.

Zuckerman: But there was still competition.

SB: Then why did we need a Fred Meyer decision? Wasn't one of the purposes of that decision to re-establish a regular price in between promotions?

Zuckerman: Those are two different things. To the extent that there are violations of law, as I say, and we receive them, we have various enforcement obligations. And we will enforce the law.

SB: How do you measure efficiency? Is it simply the price to the consumer? Or, to put it another way, when do economies of scale become muscle?

Zuckerman: When somebody wants to use inflammatory language. When you reduce analysis to rhetoric, you start hearing about muscle. What is muscle? The basic purpose of the antitrust law is to promote free and unfettered competition. Both as a means to maximize the American people's economic welfare, and because free and unfettered competition is the economic system that is the underpinning of our democratic social and political institutions. That is the basic policy of the antitrust laws.

The Supreme Court has said that we should try to interpret the R-P Act to be consistent with those other antitrust laws. What does that mean? It means that there is tension between the R-P Act and other antitrust laws in dealing with the grocery business. This is an intensely competitive business.

SB: Yes, and it is getting more so with the shift to larger stores . . . stores that can do the volume of four or five conventional supermarkets.

Zuckerman: Is that new? We've been hearing about the transition to large firms for 50 years in the grocery business.

SB: Big stores, not big firms. Food Marketing Institute defines a supermarket as a store that does $2 million a year. We have stores now that can do that in a couple of weeks.

Zuckerman: For 50 years now we've heard about the bigness threat in the grocery business, as if there was some danger in it. By and large we see an intensely competitive business. There is intense competition to satisfy consumers through a mix of price, product and service. As a general proposition, we think that that is exactly what the American people are entitled to.

SB: Do you have a yardstick that would tell when a market is becoming uncompetitive? For example, let's say when two operators have 80 percent of the business?

Zuckerman: You have to look at other things. Are there barriers to entry into the market? Is there any real prospect of collusion, overt or tacit, among these firms?

SB: We have seen where an attempt is made to enter the market, and all the prices among the leaders come down. As the new entry gives up or goes out of business, then all the prices go back up. Would that be considered predatory pricing?

Zuckerman: You would have to look at the specific facts of the market.

SB: Here's a different example. Retail co-ops have difficulty in securing deals from manufacturers that are as favorable as a regional chain gets. The manufacturer feels that the regional chain can do a better job than the co-op in guaranteeing performance on a promotion. The co-op can't always guarantee that performance, because the management can't dictate to all its independent members. The manufacturer feels that it is too much trouble to contact all the members, or that he just won't get the performance, so he gives the deal to the chain.

Zuckerman: If they can't perform, why should they get the deal? Why should the manufacturer incur greater costs, and therefore the consumer have to pay higher prices for food? Many of these people are on food stamps. Why should they pay higher prices?

SB: Thank you, Mr. Zuckerman. ■

FOCUS GROUP:

CONSUMERS SPEAK OUT ON GM/HBA AT SUPERMARKETS

In a special forum sponsored by NONFOODS BUSINESS, consumers revealed a continuing distrust of general merchandise sold in supermarkets, while at the same time endorsing larger HBA departments.

BY KEVIN COUPE, SENIOR ASSOCIATE EDITOR

Bob is a married man with four children. A high school history teacher by profession, he does a great deal of the supermarket shopping for his family. When it comes to purchasing health and beauty aids (HBA), he has a firm philosophy: He buys just about everything in the supermarket, and he buys only what he is told to.

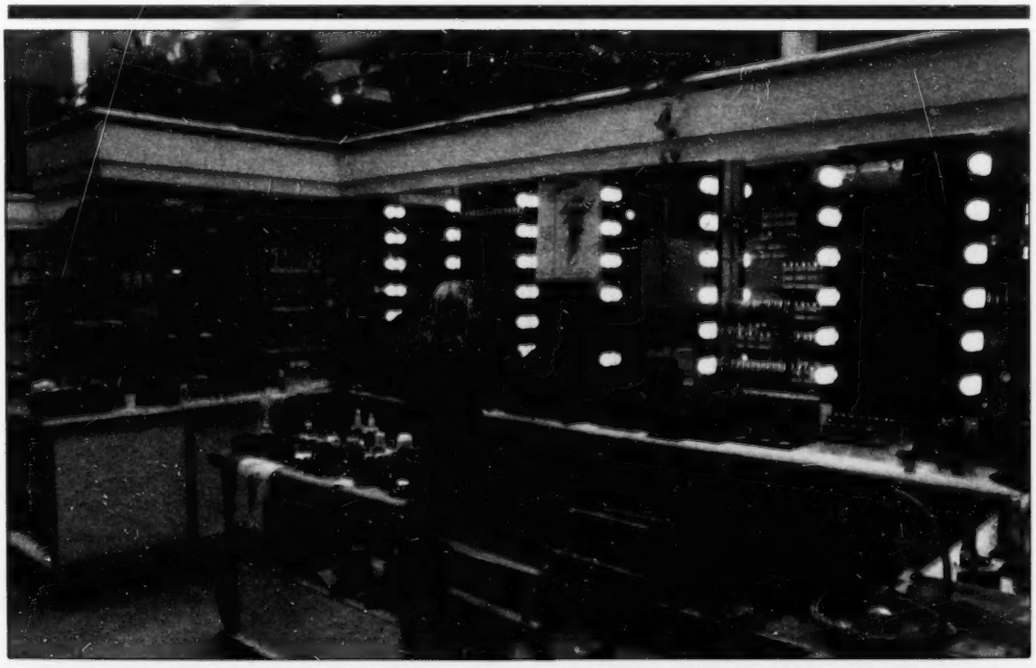
"I shop for four women in the house, and I don't shop as much as I buy what I'm told to buy," he says. "It goes on the list. I don't look for the best price or the best deal. I don't meddle with that. Everything else, I really shop, I compare, I make choices. But in HBA, I've learned."

Everything else, it seems, except in general merchandise (GM), a category that Bob is not terribly comfortable with in the supermarket. He acknowledges a legitimate need for some GM items in the supermarket: "Quickie-type items. Greeting cards, utensils, some basic cooking needs." But when it comes to housewares, soft goods or small appliances, Bob would more likely than not shop at a discount store or mass merchandiser—even though he goes to several supermarkets several times a week.

"It really is a question of quality," he says. "And time. When you buy something of quality, you want to spend more time on it. So, when I want a quality item, I wouldn't buy it in a supermarket. When I go into a supermarket, I make a lot of fast judgments, the wheels are always moving on the cart, and the mind is working very fast. I'm in a certain mode. And I'm in a different mode when I shop for a quality item."

Bob is not alone. In an effort to gauge changing consumer attitudes toward the purchase of HBA and GM items in supermarkets, NONFOODS BUSINESS recently sponsored a focus group discussion in Fairfield County, Connecticut, of nonfoods buying habits. Focus groups are used in retailing, manufacturing and service industries to bring together male and female consumers of varying ages, origins and interests, to gauge their needs in a variety of categories that have an impact on the sponsor's business. The NONFOODS BUSINESS focus group consisted of 10 participants who represented a range of ages, lifestyles, attitudes and needs. Eight were women, two were men.

But despite the differences among those questioned by NONFOODS BUSINESS, there appeared to be a central dichotomy to their thinking. All



Focus group participants favored expanded cosmetics departments, such as this one at Alfalfa's Market in Denver.

Segregation of GM rather than cross-merchandising, such as at JM Bauersfeld's in Topeka, Kansas, was suggested by the focus group.

shared the clear perception that supermarkets have improved in the nonfoods area, and all said they buy HBA items in supermarkets whenever possible. But they appeared hesitant in the area of GM.

In general, though, nonfoods items are showing strong growth at the supermarket. According to SUPERMARKET BUSINESS's 39th Annual Consumer Expenditures Study (CES), sales of general merchandise rose by 4.2 percent at grocery stores last year. Health and beauty aids sales rose by 6.4 percent. Many very large stores are investing in nonfoods as a good customer draw. Farm Fresh (Norfolk, Va.), for instance, sells what it calls "nontraditional" nonfoods in its stores, with sales accounting for 30 percent of store volume, according to Eugene Walters, president and general manager.

Few choices, and many

But in many parts of the country, retailers don't yet want—or need— to stock extensive general merchandise and HBA selections. Fairfield County is *not* the country's most advanced when it comes to supermarkets. There are no 80,000-square-foot super warehouse stores in the immediate vicinity, and "Cub" refers only to a small bear or a junior Boy Scout. But it is an area offering broad choices to the consumer: mass merchandisers, discount drug stores, catalog showrooms; even department stores vie for many of the same consumer dollars.

Some so-called super stores can be found in the marketing area, with both Pathmark and Stop & Shop offering varying degrees of nonfoods presence. More than half an hour to the east, in Orange, Conn., there is an Edwards Food Warehouse, but relatively few Fairfield County shoppers appear to make the trek there. Mostly, the area offers conventional chain supermarkets and an eclectic range of independents, the most conspicuous of which is Stew Leonard's.

From the convictions expressed in the focus group, it is clear that none of the participants have yet experienced the strong nonfoods approach taken by stores around the country such as The Real Superstore in Louisiana, Vons or Ralphs in California, or even The Experience in Edison, N.J. The concept of expensive housewares or appliances being offered within the confines of a supermarket was foreign to them.

If the group of shoppers gathered by NONFOODS BUSINESS is indicative of the larger population, Fairfield consumers' attitudes toward supermarket shopping are reasonably orthodox. Some like it. Others don't.

Oft-visited

Among those questioned, people indicated that, like it or not, the supermarket was at least a once-a-week visit, and often several times more. Said one woman, "I go five or six times a week. A lot of times I like to buy my main meal or my nightly meal, so I'll stop at the store on my way home from work." Another woman echoed that sentiment, noting that her family eats "a lot of fruits and vegetables and I like them to be the freshest. I get some lettuce here, and in another day or two pick up some more."

It's not just women running to the store, either. According to one of the men questioned, "I go at least once a week for the big shop. And then, there's the occasional stop on the way home for things you forget or run out of."

Cooking utensils were among the items participants said they would purchase at a supermarket, but they drew the line at kitchen appliances.

According to the focus group, consumers seem to want HBA offerings in supermarkets, but not GM items—especially housewares.

There's the other side of the coin: two of the women in NONFOODS BUSINESS's focus group said they went to the supermarket just once a week, but reluctantly. Said one: "Once a week. I try to avoid it." The other agreed. "I try to do it just once a week," she said. "I don't enjoy shopping."

But whatever the attitude toward supermarket shopping, none of those questioned—admittedly not a scientific survey, but nonetheless a representative enough sample to make the responses intriguing—said they were enamored of GM selections in supermarkets, nor did they particularly want supermarkets to improve their GM stock.

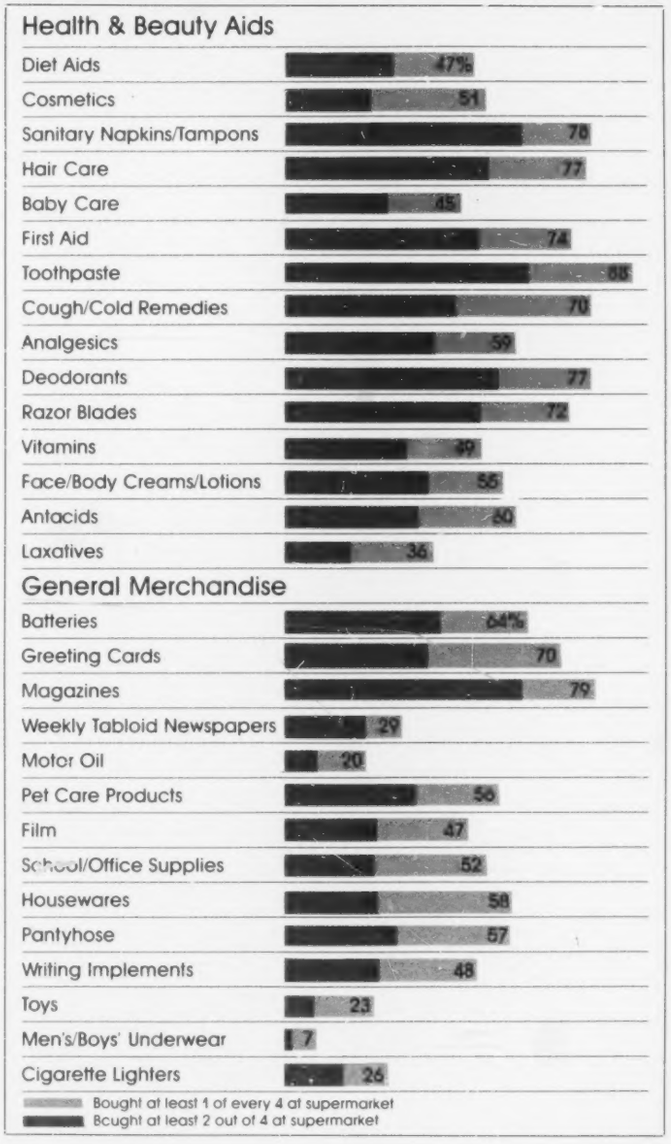
Fast-track shoppers

"I wouldn't go to the supermarket hoping to buy these items, for whatever reason," said one woman. "They hit me as the kind of things I might pick up at Caldor (a discounter akin to K mart). I'm not psychologically geared to look for them in the supermarket. There's no pleasure in running up and down those aisles, not for me at any rate, and when I shop for general merchandise, I like to look around.

"If I'm going to buy car wash, I really like to read the labels and see the differences between them. I don't have time for that in the supermarket. It's not a leisurely place for me. It's running down the aisles and keep on moving. A lot of these things, records and tapes and so on, you really want to look at. I don't have the time to do that in the supermarket."

Continued on page 49

A recent survey co-sponsored by NONFOODS BUSINESS and conducted by *Better Homes and Gardens* magazine revealed that most HBA items and many GM items are purchased in the nation's supermarkets. More than 70 percent of the 400 shoppers polled reported purchasing toothpaste, magazines, feminine hygiene products, hair care items, deodorant, first aid products, greeting cards and razor blades in the supermarket; many of them said they made at least half of all GM/HBA purchases there. The chart at right breaks down the percentage of shoppers who made one out of every four and two out of every four GM/HBA purchases in the supermarket.



Continued from page 45

Indeed, supermarkets seem to occupy a specific psychological niche in the minds of these shoppers: they view supermarkets as places geared toward speed and convenience. General merchandise, at least in their view, is not to be purchased in such places. "I would never buy a hair dryer or a toaster or anything like that in a supermarket," was a familiar refrain. "I don't know why, but I just wouldn't do that."

Time element

"I'm always in a rush to get out of the store, and there is the time element," said one woman. "You can't look at something if your food is melting."

One of the other women in the group agreed. "I'd want lots of GM, but what happens when you put all these items in the store? You get a crowd of people. I don't want all those men standing on line in front of me with cans of motor oil. I want to get through the line," she said.

"Basically, I like what's in there now," she said. "I'm an impulse buyer. If I see a wooden spoon and I've just broken one, I'll buy it in the supermarket. But if I was sitting home and I needed wooden spoons and a toaster, I'd go to a housewares store. I would probably not go to the grocery store. It wouldn't even come to mind to go to the grocery store."

One of the men in the group suggested that supermarket staffs are unprepared to handle general merchandise sales. "Food is handled one way, and GM is handled another," he said. "The way some of these people pack bags, you don't want a toaster in there. You have enough trouble with apples and oranges."

If these consumers were skeptical about how convenient it would be to buy general merchandise in the supermarket, they were also cynical about how good the prices on such items might be. "Price has to be a major factor," said one man. "You're going to look for the sales. I can't imagine supermarkets being that competitive."

One man commented that supermarkets could hardly sell a sufficient number of the items to be able to match discounters on price: "I can't imagine that a supermarket could carry enough of these things to make it worthwhile. I can't imagine buying any apparel or toys there. They're big, they're bulky. Bottles and jugs, yeah, they try to keep a selection, but it's usually throwaway types of things. I know they have lounge chairs sitting on top of the shelves, but I wouldn't buy one there."

(Toys were viewed by one man as almost the ultimate evil:

"Probably the only things I don't buy at the supermarket are cosmetics," said one woman—but that was only because her store doesn't stock the kind she prefers. If it did, she would.

Participants had different opinions on greeting cards in supermarkets, as at Toddy's in Fort Collins, Colo. (above). Some said the supermarket was an ideal place for them, others said that selecting them took too much time.

"The last thing you want is toys in the supermarket," he said. "You have enough trouble keeping kids away from the rest of the stuff.")

But, while price and convenience were the most-discussed reasons why these consumers would not patronize their supermarkets for general merchandise, a far less analytical response typified their attitudes: "It's not that there's anything wrong with buying GM in the grocery store," said one woman, "it's just that Caldor has sales on those items every other week. We always run to Caldor for that stuff. I wouldn't think of buying hair dryers or such things at the supermarket."

Against clutter

At the same time these consumers were agreeing that supermarkets have no business in the GM area, they were also acknowledging that if supermarkets are to appeal successfully for their nonfoods dollars, they'll have to establish a better merchandising system. Chief among their suggestions was one that proposed setting nonfoods offerings apart from groceries. "I don't want to look at cluttered items hanging all over the place," one woman said. And others agreed.

Just such an approach can be seen in Vons Pavilions's marketing of nonfoods products in a different section of the store from its food products. The store is profiled in this month's NONFOODS BUSINESS, p. 53.

"If you go down an aisle that has HBA, that's your mind-set," said another woman, noting that too many stores that she visits tend to cross-merchandise beyond all comprehension. "When you go into produce, that's your mind-set. That's what you're looking for, that's what you have on your mind. It is distracting when you go into a store and find frozen food on one side of the aisle and HBA on the other. It's distracting, and it's cold. You reach for the band-aids, and you get a cold flash."

Separate check-outs

One woman even suggested separating supermarket check-outs into food and nonfoods, allowing those with general merchandise selections to avoid those shoppers buying $100 worth of food—and, of course, keeping those nonfoods shoppers out of the food buyer's way as well.

Part of these shoppers' reluctance to purchase general merchandise in supermarkets can be traced to their admittedly strong addiction to coupons.

Focus group members expressed a great deal of cynicism about prices on GM in supermarkets, maintaining that they have to be higher than elsewhere.

Almost all of them said that they liked the price advantages offered by double coupons, and that general merchandise is usually unaffected by such coupon strategies. But while coupons negatively affect their GM buying habits, they have a marked positive influence on where they buy their HBA items.

Said one man, "Aside from the convenience of being able to do everything in one stop, one reason why I try to pick up whatever I can at the grocery is that if I have coupons, which I try to use as much as possible, and shop the store that gives double coupons, I get an additional savings on these things that I wouldn't get at a drug store, which may not even be used to taking coupons in the first place."

One of the women agreed. "Last year, First National had Nuprin at a very good price, better than Caldor's or anyplace else. Plus, the coupons: If I'm shopping for deodorant, and I have a 50-cent coupon, it's a dollar off when I get to the counter. So it's much cheaper than at the drug store. Your coupons come into big play when you're buying your health and beauty aids."

"Anything I can"

Even without coupons, these consumers said they appreciated the convenience of being able to buy their HBA products while buying groceries. One woman said that she goes to the supermarket "all the time. I know the managers and everything that's on the shelves. I mean, with kids you have to go all the time. I try to buy everything I can at the grocery store. I have to buy children's Tylenol,

Lack of service in supermarket HBA departments was not a problem for group members, who said that "you're probably not going to get any better help at any of the other retail chains."

At Vons Pavilions in Southern California, upscale cosmetics are made available to shoppers on portable carts that are rolled onto the sales floor; at a Massachusetts Foodmaster, selection of brushes, combs and other hair care products was expanded to suit consumers' changing shopping patterns.

Q-tips, and they have all this stuff. You'd have to go to the pharmacy or somewhere else for them. So, I buy everything I can in one stop. Anything."

However, some strong suggestions were made for chains' HBA buyers, especially in the area of product selection and sizes. Members of the focus group noted that because of space limitations, smaller sizes of products seem to be more evident than larger sizes, and said that this directly contradicts their needs.

"I have found that the selection in the grocery for those kinds of items is sometimes limited," said one man. "They have to squeeze it into less space. I may not find everything I need there, but I try the grocery first."

Less is less

One of the women agreed. "I think the sizes are limited because of the space in which they carry health and beauty aids. I like to buy something that's going to last me weeks, so I don't have to go back out and buy it again. If I look for shampoo, most of the sizes are smaller sizes, and I find that to be a great big problem. I'm paying a lot more money, and even with a coupon, I have this little bottle of shampoo that's not going to go anywhere."

Indeed, these consumers seem to have few qualms about making HBA purchases at supermarkets. Service, long the hallmark at small pharmacies, has either become too rare or too expensive to make much of a difference.

Said one of the men, "You're probably not going to get any better help at any of the other retail chains, as opposed to a supermarket. In the drug stores I've been to, I don't find that you get significantly better service. If you couldn't find something and you asked somebody, it would probably take as long to find it in a drug store as in a supermarket."

In fact, these shoppers think that supermarkets ought to dramatically increase their HBA offerings in one specific area: cosmetics. Even to the point, they say, of establishing service counters and selling expensive, upscale products. Curiously, some supermarkets that have improved their non-foods presence have shied away from upscale cosmetics counters, citing expense and shrink as factors in their decision. Some retailers, however, have made the concept work: JM Bauersfeld's (Topeka, Kan.) attracts customers by offering cosmetics so nice that there are few other places in town to obtain them.

Coupons play a large role in the participants' buying habits: HBA purchases at supermarkets often were prompted by coupon offers.

"Probably the only things I don't buy at the supermarket regularly are cosmetics and fragrances," said one woman. "I use only certain ones, and they don't carry them. Otherwise, if they were there, that would be fine. I wish they were."

And, another woman agreed. "I don't buy cosmetics and fragrances, because the selection is so limited in supermarkets, and consists of the cheaper ones. But if they carried what I use, and the price were comparable, then the supermarket would be my first stop." ■

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SAMI UPDATE

BY ALAN MILLER, JR.

HBA Sales Suffer the Summer Doldrums

While summer weather may have been hot, sales of HBA items through supermarkets were not. Deodorants and shaving needs, however, posted gains.

This month we have a double report, since SAMI has 13 reporting periods a year while SUPERMARKET BUSINESS is published monthly. Therefore, this review combines unit sales trends of health and beauty aids (HBA) items during the reporting periods ending July 18 and August 15, 1986.

Unfortunately, there have now been four 28-day periods in which total unit sales have fallen below levels recorded in the corresponding year-ago periods. During the July reporting period, sales in all 50 HBA categories combined fell 1.8 percent and in the August period, they fell 2.0 percent.

In fact, HBA was the only product department to register a negative trend during these periods. As the summer progressed, tonnage gains were once again in evidence for frozen foods, which had been trailing the year-ago volume for several consecutive periods.

August picks up

In July, six of the eight product groups recorded declines, while in August only four did. The two product groups that moved from a minus to a plus trend were deodorants and shaving needs. First aid items and proprietary remedies stayed on the plus side during both reporting periods, while the other four— baby needs, hair care needs, oral hygiene and skin care aids— all remained in the minus column during both periods.

On a category measurement basis, the ratio of gains to losses improved slightly during the August period versus July, but most of the trending was negative. In July, only 18 categories showed growth, but in August this number increased to 22 categories. Accordingly, the number of categories showing losses were 32 and 28, respectively.

In the baby needs group, the baby powders category enjoyed a brief growth phase in July, but all four categories showed a downward trend in the August period. On an annual basis, the only category with growth is nursing supplies, which also has been showing weakness during recent months. Baby oils, creams and lotions and infant clothes had double-digit loss rates in August.

Among the eight categories of deodorants tracked by SAMI, five recorded unit volume losses in both periods, while two (stick deodorants and pads and foot deodorants and athlete's foot remedies) recorded gains in both periods. Roll-on deodorants had a loss of 3.9 percent in July, but recovered to register an increase of 2.1 percent in August. Sprays and creams continue to lose volume to sticks.

Deodorant and talcum powders, which had been showing growth as a result of line extensions for Shower-to-Shower, are now falling behind the year-ago sales rate. As of mid-August, only three deodorant categories had annual gains: stick deodorants and pads (+ 11.3 percent), deodorant and talcum powders (+ 8.1 percent) and foot deodorants and athlete's foot remedies (+ 5.6 percent). Cream deodorants had the highest annual loss rate (12.4 percent).

Both categories of first aid items exhibited growth during each of the two reporting periods. New product activity, particularly Benadryl, and strength among private label offerings help to account for the strong performance of first aid antiseptics, which forged ahead 13.8 percent and 12.3 percent, respectively. First aid products had more modest gains of 3.5 percent and 0.3 percent.

Now that hair styling mousse products have reached maturity, only minor increases are showing up in the hair setting needs category. Currently, the only standout category in the hair care needs product group is hair sprays, which continues to show double-digit gain rates. Sales of new Clairol Condition and the national rollout of Suave Hair Spray are partly responsible for these gains.

Strength in first aid

Sales losses have been recorded for three consecutive periods in the high-volume shampoo and hair conditioning rinse categories. Hair coloring items and hair dressing needs also had sales volume declines in food stores. But sales of home permanent kits, which declined 6.7 percent in July, mustered a tiny gain of 0.3 percent in mid-August.

In the oral hygiene group, the sales picture looks pretty bleak because of continuing sales reversals among toothpastes and gels, as well as both denture cleaners and denture adhesives. As of the year ending August 15, the only gains are found in the mouth wash category (less than 0.1 percent) and toothbrushes (+ 0.1 percent). The annual loss rate in the toothpaste and powder category amounts to 23 million units.

Remedies rise slightly

Among the 13 proprietary remedy categories for which more than a year of sales data is available, gains outnumbered losses seven to six in the most recent reporting period. Three of those gain rates, however, were less than 1 percent: antacids (+ 0.9 percent), internal analgesics (+ 0.1 percent) and sleeping aids (+ 0.5 percent). The 21 percent loss for tranquilizers is unimportant, since this category has been trending toward oblivion without shifting gears.

Sales losses were reported for three of the four cold remedy categories in both the July and August periods. Their annual sales as of August 15 were in the minus column: nasal sprays drops-inhalers (-5.0 percent), chest rubs (-2.4 percent) and cough remedies (-3.5 percent). Cold tablets, however, have reported gains for several months in a row. Their annual gain rate stands at 3.1 percent and the increase during the latest period is a strong 10.5 percent.

Losses of almost 1 percent were recorded for the laxatives and stool softeners category for the full year, 12 weeks and four weeks. Good gains have been recorded for three proprietary remedy categories of late: eye care products, appetite suppressants and synthetic vitamins. Their annual increases are 12.0 percent, 7.7 percent and 2.8 percent, respectively. The entire product group recorded a four-week gain of 0.5 percent, bringing the annual gain rate to 0.7 percent.

During the July reporting period, four of the five shaving needs categories tracked by

SAMI UPDATE

SAMI reported unit volume losses. The only category to gain was shaving creams. In the August period, however, three of the five categories reported gains. Gains of 1.4 percent for razor blades and 8.3 percent for razors and blades complemented the 5.4 percent upturn for shaving creams.

These gains offset losses of 9.7 percent for pre-shave lotions and 1.9 percent for after-shave lotions, resulting in a 2.1 percent gain for the entire product group.

Annual gains were posted for four of the five skin care aids categories. Only cosmetic and medicated skin aids posted an annual loss rate (-3.0 percent), which is about the same as that reported for the August period (-4.0 percent).

The strongest category in this group is lip care products, which recorded an annual gain rate of 21.1 percent and a four week increase of 27.2 percent. Continuing declines were recorded for hand and body creams and lotions as well as facial preparations.

Unit volume for suntan lotions and oils was down 3.5 percent in the peak July period but rose to + 5.6 percent in August as the suntan season wound down. But the poor performance in hand and body creams and lotions, facial preparations and cosmetic and medicated skin aids gave the entire product group a loss rate of 2.2 percent in August, after a loss of 1.3 percent in July. ■

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

	% CHANGE VS. YEAR AGO		
PRODUCT GROUP AND CATEGORY	4 WEEKS ENDING 6/20/86	4 WEEKS ENDING 7/18/86	4 WEEKS ENDING 8/15/86
BABY NEEDS	**– 6.6%**	**– 3.6%**	**– 6.7%**
Baby Powders	– 14.0	+ 2.6	– 5.5
Baby Oils, Creams & Lotions	– 4.6	– 4.9	– 11.8
Infant Clothes	– 12.8	– 13.7	– 13.6
Nursing Supplies	– 2.4	– 3.3	– 0.4
DEODORANTS	**+ 1.7%**	**– 1.9%**	**+ 0.5%**
Sprays	– 7.0	– 6.6	– 4.5
Roll-Ons	+ 0.8	– 3.9	+ 2.1
Stick Deodorants & Pads	+ 10.1	+ 3.5	+ 8.0
Creams	– 13.2	– 8.3	– 13.4
Deodorants & Talcum Powders	+ 3.2	– 2.6	– 9.0
Feminine Hygiene Deodorants	+ 2.4	– 6.9	– 7.0
Foot Deodorants & Athlete's Foot Remedies	+ 4.4	+ 0.5	+ 2.5
Feminine Douches	– 1.0	– 2.1	– 8.8
FIRST AID	**+ 1.7%**	**+ 6.1%**	**+ 3.2%**
Antiseptics	+ 3.0	+ 13.8	+ 12.3
First Aid Products	+ 1.3	+ 3.5	+ 0.3
HAIR CARE NEEDS	**+ 1.2%**	**– 1.1%**	**– 2.0%**
Shampoos	– 0.8	– 6.1	– 5.6
Hair Sprays	+ 15.0	+ 16.3	+ 13.1
Hair Conditioning Rinses	– 4.2	– 3.0	– 4.6
Hair Setting Needs	– 0.7	+ 1.1	+ 1.7
Home Permanent Kits	– 5.2	– 6.7	+ 0.3
Hair Coloring	– 1.4	– 2.0	– 8.1
Hair Dressing Needs	– 2.5	– 3.9	– 9.3
ORAL HYGIENE	**– 6.3%**	**– 7.8%**	**– 8.3%**
Toothpastes & Powders	– 13.0	– 9.8	– 13.0
Mouthwashes	+ 2.1	– 2.8	+ 2.0
Breath Fresheners	+ 3.9	+ 0.1	– 2.5
Denture Cleaners	– 2.6	– 2.1	– 9.5
Denture Adhesives	– 4.8	– 6.5	– 9.0
Toothbrushes	+ 1.0	– 5.5	+ 3.0
PROPRIETARY REMEDIES	**+ 1.0%**	**+ 2.0%**	**+ 0.5%**
Antacids	+ 2.0	+ 2.1	+ 0.9
Internal Analgesics	+ 2.2	+ 2.2	+ 0.1
External Analgesics	+ 1.3	+ 3.9	– 6.2
Cold Tablets	+ 3.0	+ 6.3	+ 10.5
Nasal Sprays—Drops—Inhalers	– 7.2	– 3.1	– 0.7
Chest Rubs	– 2.6	– 7.5	– 7.3
Cough Remedies	– 6.3	– 4.2	– 5.4
Laxatives	– 1.2	– 0.7	– 1.0
Sleeping Aids	+ 0.3	+ 5.5	+ 0.5
Tranquilizers	– 13.0	– 11.7	– 21.0
Synthetic Vitamins	+ 5.4	+ 11.2	+ 5.1
Eye Care Products	+ 2.4	+ 3.8	+ 7.6
Appetite Suppressants	+ 22.3	+ 2.8	+ 4.1
SHAVING NEEDS	**– 4.1%**	**– 5.2%**	**+ 2.1%**
Shaving Creams	+ 2.5	+ 1.4	+ 5.4
Pre-Shave Lotions	– 7.9	– 11.0	– 9.7
After-Shave Lotions	– 13.5	– 7.1	– 1.9
Razor Blades	– 5.3	– 7.2	+ 1.4
Razors & Blades	– 13.1	– 15.5	+ 8.3
SKIN CARE AIDS	**± 0 %**	**– 1.3%**	**– 2.2%**
Hand & Body Creams & Lotions	– 3.3	– 0.4	– 4.6
Facial Preparations	– 2.6	– 6.9	– 10.7
Lip Care Products	+ 32.7	+ 9.3	+ 27.2
Suntan Lotions & Oils	– 1.8	– 3.5	+ 5.6
Cosmetic & Medicated Skin Aids	– 5.2	– 1.8	– 4.0
TOTAL ALL CATEGORIES	**– 1.5%**	**– 1.6%**	**– 2.0%**

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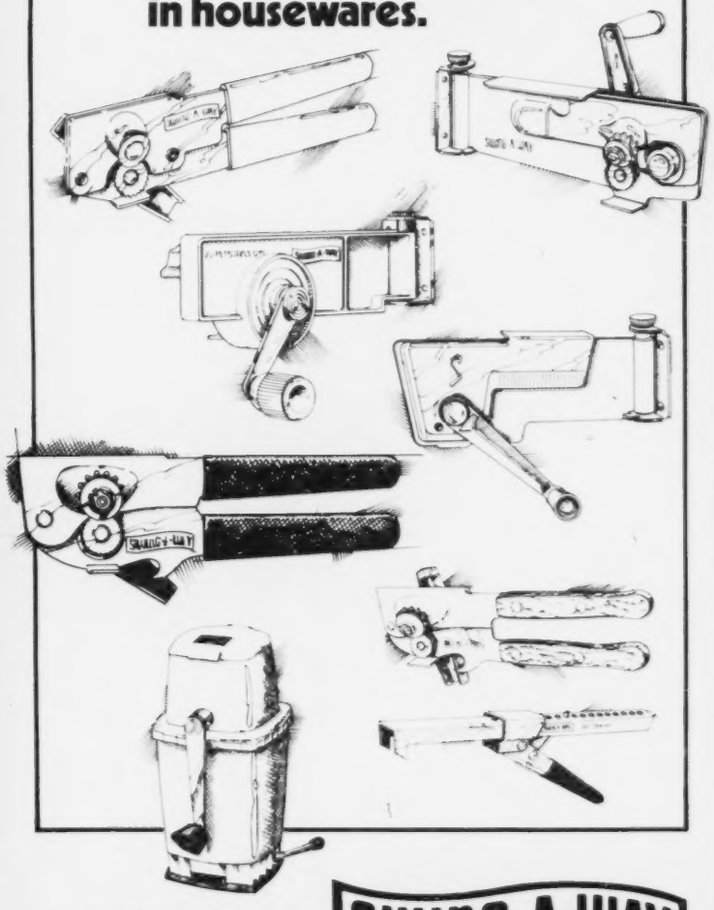

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